

Finance Action Network: Opt Out Recommendation
EXECUTIVE SUMMARY

Purpose of Report: To inform the School Board about the Opt Out Recommendation of the 2019 Finance Action Network (FAN).

At the direction of the School Board during the FY20 budget hearing and tentative approval on April 8, 2019, the FAN was called together and met on April 23, 2019. The purpose of the meeting was to study the \$7.5 million opt out expiring in 2022 and make a recommendation to the School Board about whether to continue it and if so at what funding level.

In addition to Superintendent Maher, Business Manager Vik, and Director of Research, Innovation, and Accountability Morrison, FAN is comprised of Sara Andrews (Schoeneman's), Jason Ball (Sioux Falls Area Chamber of Commerce), Keith Severson (Eide Bailly), Bob Thimjon (Ramkota Companies), and Becky Wittrock (Geo Tek). After studying the District's finances, benchmarking it against other SD districts and its national peers, and projecting future fund balances based on various scenarios, FAN concluded that:

- The opt-out is a critical component to the School District budget.
- The opt-out enables the School District to both deliver its current level of programming but also provides some risk mitigation toward inadequate funding from the State and other sources of revenue.
- The District fund balance is at its lowest point in 25 years and can't be relied upon to balance the budget into the future.
- Not replacing the expiring \$7.5 million opt-out would be catastrophic to the School District.
- The School District has been fiscally conservative and only uses the portion of the opt-out critical to the District needs.
- A 10-year target amount of \$15 million in opt-out capacity is reasonable in order to maintain the opt-out used at a constant 5.2% of the budget and also maintain a 2% contingency for the District.
- A laddering approach (i.e. opt-out for overlapping smaller amounts every year instead of one or two large amounts every 5+ years) to the opt-out has some merits as it would allow the District to react on an annual basis to changes in need.

Based on the input from FAN and School Board members received during the June 5, 2019 work session to discuss financing/opt-out strategies, the Administration is recommending opting out in 2019 for \$1.5 million for 10 years. This opt out will have no bearing on property taxes in 2020 as it is meant to be a partial replacement of the \$7.5 million expiring in 2022 and will not be levied in 2020. If the Board also opts-out for \$1.5 million in 2021 and 2022, the District will have \$9.5 million of opt-out funds available to it in 2022 which is in line with the five-year plan.

	Total All Opt Out's Outstanding	Opt Out Amount Used Actual/Forecast	Unused Portion	Total Budget	Unused Opt Out as a percentage of Budget	Used Opt Out as a percentage of Budget	Total Opt Out Available as a percentage	Levy per \$1,000
2018	\$ 12,500,000	\$ 9,100,000	\$ 3,400,000	\$ 174,662,983	1.9%	5.2%	7.2%	\$ 0.57
2028	\$ 15,000,000	\$ 11,412,137	\$ 3,587,863	\$ 206,946,677	1.7%	5.5%	7.2%	\$ 0.46

Administrative Recommendation to School Board: Approve the following resolution:

Report Prepared by: Finance Office

Presented by: Todd Vik

July 8, 2019

The GOVERNING BOARD OF THE SIOUX FALLS SCHOOL DISTRICT 49-5 does state that the above said Board is unable to operate under the tax limitation measure currently in statute. We therefore OPT OUT of such tax limitation in the amount of \$1,500,000 starting with calendar year 2019 taxes payable in calendar year 2020. This opt-out will be for ten years, which will be through taxes payable in calendar year 2029. This action has been taken by the Board and approved by at least a two-thirds vote of the Board.

This decision may be referred to a vote of the people upon a petition signed by at least five percent of the registered voters in the District and filed with the governing body within twenty days of the first publication of this decision.

Unless this action is referred to a vote of the people and reversed by such vote, this resolution authorizes the county auditor(s) to spread an excess levy to raise tax dollars in the above-stated amount.

_____.President

_____.Vice President

_____.Member

_____.Member

_____.Member